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Letter dated 29 April 2015 from the Secretary-General addressed to the President of the Security Council

Pursuant to Security Council resolution 1031 (1995), I have the honour to transmit the forty-seventh report on the implementation of the Peace Agreement on Bosnia and Herzegovina, covering the period from 21 October 2014 to 21 April 2015, which I received from the High Representative for Bosnia and Herzegovina (see annex).

I should be grateful if you would bring the report to the attention of the members of the Security Council.

(*Signed*) **BAN** Ki-moon

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Annex

Letter dated 23 April 2015 from the High Representative for Bosnia and Herzegovina addressed to the Secretary-General

Pursuant to Security Council resolution 1031 (1995), in which the Council requested the Secretary-General to submit to it reports from the High Representative in accordance with annex 10 of the General Framework Agreement for Peace in Bosnia and Herzegovina and the Conclusions of the London Peace Implementation Conference of 8 and 9 December 1995, I herewith present to you the forty-seventh report of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina. I would ask that the report be distributed to the Security Council members for their consideration.

This is my thirteenth report to the Secretary-General since assuming the post of High Representative for Bosnia and Herzegovina and European Union Special Representative on 26 March 2009. The present report covers the period from 21 October 2014 to 21 April 2015.

Should you or any Council member require any information beyond what is provided in the attached report or have any questions regarding its contents, I should be pleased to provide you with it.

(*Signed*) Valentin **Inzko**

Forty-seventh report of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina

Summary

The present report covers the period from 21 October 2014 to 21 April 2015. The reporting period has been dominated by three main political developments: the process of government formation following the general elections of October 2014, efforts to kick-start Bosnia and Herzegovina's European Union integration process and continued actions and statements challenging the fundamentals of the Dayton Peace Agreement.

Election results for the State of Bosnia and Herzegovina, the two entities (Federation and Republika Srpska), and the 10 cantons in the Federation were certified on 10 November. The Republika Srpska National Assembly appointed a government on 18 December, which took office on 27 December, making the Republika Srpska government the first executive to be formed on the basis of the October election results. Prolonged disagreement on the distribution of political posts among the Federation-based parties, which had signed a coalition agreement already in November, delayed the final appointment of the State-level Council of Ministers and the Federation government until 31 March. At the time of writing, 7 of the 10 cantonal assemblies in the Federation have elected governments. With the Council of Ministers and Federation government in place, I am encouraged by their respective Prime Ministers' stated intention to undertake serious reform efforts, and to focus on encouraging investment and economic growth as a priority.

The initiative launched by the Foreign Ministers of Germany and the United Kingdom on 5 November in Berlin, which is now an initiative of the European Union, was a significant development, offering Bosnia and Herzegovina a real opportunity to make progress on integration with the Union. After the Presidency's written commitment to the European Union integration process was signed by 14 political leaders and then adopted by the Bosnia and Herzegovina Parliamentary Assembly on 23 February, the Council of the European Union adopted a decision concluding the Union's Stabilization and Association Agreement with Bosnia and Herzegovina on 21 April; the Agreement is expected to enter into force on 1 June. With further progress linked to the implementation of reforms, the country's leaders and institutions can now take full advantage of the opportunity provided by this important step forward for Bosnia and Herzegovina.

From the point of view of my mandate to uphold the civilian aspects of the General Framework Agreement for Peace, a number of actions taken during the reporting period have raised particular concern. These have included the regular practice by the Republika Srpska-based Alliance of Independent Social Democrats and its partner, the Democratic People's Alliance, of walking out of sessions of the Bosnia and Herzegovina House of Representatives, and a short-lived boycott by those parties of the Bosnia and Herzegovina House of Peoples that briefly prevented the House from convening in March. On 17 April, the Republika Srpska National Assembly adopted a declaration denying the authority of decisions of the Bosnia and Herzegovina Constitutional Court as established under annex 4 of the General

Framework Agreement for Peace, which also represents a challenge to the rule of law. In addition, the reporting period was marked by a number of fresh statements by officials of the Republika Srpska calling for that entity's secession from Bosnia and Herzegovina.

Under the authority vested in me, I use this report to once again make clear that the entities have no right to secede from Bosnia and Herzegovina under the General Framework Agreement for Peace and that the sovereignty and territorial integrity of Bosnia and Herzegovina are guaranteed by the General Framework Agreement for Peace, the Bosnia and Herzegovina Constitution and international law.

As noted in previous reports, Bosnia and Herzegovina has been on a downward trajectory since 2006, and its citizens expect and deserve more from their newly elected leaders than more time wasted. In this context, the European Union initiative and those domestic actors who carry it forward will have my strong support, as will all future efforts aimed at delivering the concrete results that are necessary to open the way for Bosnia and Herzegovina to apply for candidate country status. It is vitally important that incoming governments at all levels ensure that they make a decisive break with the past by doing politics in a new way, one that puts the interests of citizens and the country as a whole first.

Given the complex environment that continues to prevail in the country, the presence of the European Union military mission in Bosnia and Herzegovina with an executive mandate remains of vital importance, enabling my Office and others in the international community to fulfil our respective mandates as well as reassuring citizens of all ethnic groups throughout the country of a safe and secure environment.

I. Introduction

1. This is my thirteenth report to the Secretary-General since assuming the post of High Representative for Bosnia and Herzegovina. It provides a narrative description of progress made towards attaining the goals outlined in previous reports, registers factual developments, logs relevant citations relating to the reporting period, and provides my assessment of the implementation of key areas falling under my mandate. I have focused my efforts on addressing these areas, in line with my primary responsibility to uphold the civilian aspects of the General Framework Agreement for Peace, while also encouraging progress on the five objectives and two conditions for the closure of the Office of the High Representative and working to preserve steps that have previously been taken to implement the Agreement.

2. My energies continue to be directed towards meeting my mandate as defined under annex 10 of the General Framework Agreement for Peace and relevant resolutions of the Security Council. My Office fully supports the efforts of the European Union and the North Atlantic Treaty Organization (NATO) to help Bosnia and Herzegovina to move along the path towards closer integration with those organizations.

II. Political update

A. General political environment

3. The reporting period was dominated by efforts to form governments after the general elections of October 2014 and a European Union initiative to kick-start Bosnia and Herzegovina's integration process with the Union. Regrettably there continued to be statements and actions challenging the fundamentals of the General Framework Agreement for Peace. This continued to be a matter of concern, especially given the pressing need for the country to start looking forward and to seize the new opportunity provided to it by the European Union. With the governments and legislatures at the State level now formed, the political establishment faces a stark choice: to pull together and deliver the changes that citizens demand and that are necessary to unlock progress towards the European Union and NATO, or to undermine each other by generating artificial crises to divert citizens' attention from the real problems.

4. Following the certification of election results on 10 November, attention quickly turned to the formation of authorities at the State, entity and cantonal levels. On 27 December, the Republika Srpska became the first of the new governments to assume office.

5. Despite coalition agreements being signed in the Federation and at the State level, disagreements over the distribution of ministerial posts delayed the establishment of the State and Federation governments until 31 March. Ultimately, the parties that comprise the ruling coalition in the Federation — the Party of Democratic Action (SDA), the Croatian Democratic Union of Bosnia and Herzegovina (HDZ Bosnia and Herzegovina) and the Democratic Front (DF) — also joined the ruling coalition at the State level. In contrast, the ruling coalition in the Republika Srpska, dominated by the Alliance of Independent Social Democrats

(SNSD), was surpassed at the State level by the Republika Srpska opposition "Alliance for Changes" parties — the Serb Democratic Party (SDS), the Party for Democratic Progress (PDP) and the People's Democratic Movement (NDP). This marks the first time since 2006 that SNSD is not part of the State-level authorities.

6. Government formation has also been slow in many of the cantons in the Federation, and the Herzegovina-Neretva Canton, Central-Bosnia Canton and Canton 10 have yet to elect their governments, owing to ongoing disputes over the distribution of ministerial posts.

7. The process of forming authorities after the general elections has confirmed the need to improve elements of the electoral process, including through improvements to the Bosnia and Herzegovina Election Law and relevant constitutional provisions. Specific issues to be addressed include reviewing constituency boundaries and the allocation of mandates, deficiencies in polling station committees and the regulation of campaign financing. Possible changes regulating the implementation of election results would include a mechanism to ensure that all members are elected to the Federation House of Peoples and the regulation by law of the issue of incompatible posts in a manner that ensures that governments in a caretaker capacity can continue to perform until such time as new governments replace them.

8. I regret to have to report that challenges to the basics of the General Framework Agreement for Peace continued during the reporting period. In addition to continued statements challenging the sovereignty and territorial integrity of Bosnia and Herzegovina, walkouts and boycotts of both Houses of the Bosnia and Herzegovina Parliamentary Assembly have once again occurred. The boycott of the Bosnia and Herzegovina House of Peoples on 17 March 2015 was of particular concern as it was undertaken in the full knowledge that it would prevent the House from securing the required quorum to convene a session. This kind of obstruction must become a thing of the past.

9. A declaration adopted by the Republika Srpska National Assembly on 17 April, relating to the Republika Srpska Law on Holidays, also raised major questions about the commitment of the Republika Srpska authorities to respect the General Framework Agreement for Peace when they decide that it does not suit them. The declaration raised serious concerns on a number of points, not least in its explicit rejection of the clear authority of the Bosnia and Herzegovina Constitutional Court, whose decisions are final and binding under article VI.4 of the Bosnia and Herzegovina Constitution as set forth in annex 4 to the General Framework Agreement for Peace.

10. The Croat National Assembly — a gathering of elected and appointed officials and party leaders of all Croat-prefix parties — convened on 28 February in Mostar to adopt a declaration that included calls for substantial constitutional changes and a new territorial organization of the country. Alternatively, the declaration calls for an international conference to draft a new constitution that would create a symmetrical federal state in relation to the three constituent peoples (Serbs, Croats, Bosniaks).

B. Decisions of the High Representative during the reporting period

11. During the reporting period, I refrained from using my executive powers in line with the policy of the Steering Board of the Peace Implementation Council of emphasizing "local ownership" over international decision-making.

C. Five objectives and two conditions for the closure of the Office of the High Representative

Progress on objectives

12. During the reporting period, the authorities in Bosnia and Herzegovina made limited progress towards meeting the outstanding objectives set by the Steering Board of the Peace Implementation Council as prerequisites for the closure of the Office of the High Representative.

State and defence property

13. During the reporting period my Office continued efforts to facilitate an acceptable and sustainable resolution of the questions of State and defence property, primarily through direct contacts with relevant domestic and international stakeholders. The lack of political will to achieve a compromise within the framework of the clear principles laid out in the decision of July 2012 of the Bosnia and Herzegovina Constitutional Court remains the primary obstacle to progress.

14. On the specific issue of "prospective defence property", meaning property to be used by the Bosnia and Herzegovina Ministry of Defence and the Armed Forces of Bosnia and Herzegovina, there has been some progress in recent months in achieving the registration of those properties in the name of the Bosnia and Herzegovina State. Starting in December, the Bosnia and Herzegovina Ministry of Defence forwarded requests to the Bosnia and Herzegovina Public Attorney's Office to initiate the registration of such properties under the ownership of the State of Bosnia and Herzegovina. The Bosnia and Herzegovina Public Attorney's Office is now expected to submit requests to the competent authorities as soon as possible to complete the registration of the properties.

15. In the meantime, the land registry authorities in Republika Srpska decided to freeze the previously initiated process of public inspection of property records and data relating to prospective defence properties. Consequently no further reregistration of those assets by the Republika Srpska authorities is expected. I raised concerns in my last report that this process could result in properties that should belong to the State under the Bosnia and Herzegovina Law on Defence being registered instead in the name of the entity or its municipalities. One such case covered in my last report relates to the Veliki Žep location in the Han Pijesak municipality in Republika Srpska. This case is now before the Court of Bosnia and Herzegovina and the verdict could set a precedent for any future disputes over prospective defence locations in the Republika Srpska.

16. In my previous report I also raised concerns related to the Law on the Temporary Prohibition of Disposal of State Property, better known as the State Property Disposal Ban. This decision was enacted by the High Representative in March 2005 and subsequently adopted by the Bosnia and Herzegovina

Parliamentary Assembly. Its purpose is to prevent authorities from selling or otherwise disposing of publicly owned property before this issue has been properly regulated. It appears that in recent years the Republika Srpska government has adopted several decisions transferring the right of ownership over sites used by the military of the former Yugoslavia to municipalities or other third persons, in direct violation of the ban. This practice produces several legal and practical complications, primarily for those who wrongly believe they have acquired property rights on the basis of transactions that violated the ban. It also damages the established property rights of the State of Bosnia and Herzegovina.

Fiscal sustainability

17. The Office of the High Representative continued to follow, analyse and keep its international partners informed of developments relating to fiscal sustainability, including developments in the Governing Board of the Indirect Taxation Authority and the Bosnia and Herzegovina Fiscal Council. While the Fiscal Council did not meet at all during the reporting period, the Governing Board held six meetings under the chairmanship of the Bosnia and Herzegovina Minister of Finance and Treasury. Despite the continued efficiency of the Governing Board, the Republika Srpska members remained opposed to regular adjustments of indirect tax revenue allocation coefficients as well as to the indirect tax revenue settlements for the second half of 2012 and the first half of 2014, for which the Republika Srpska owes the Federation approximately €21 million. This calls into question compliance with the Governing Board regulations. The Bosnia and Herzegovina authorities also made a commitment to the International Monetary Fund (IMF) to address these issues. It also burdens inter-entity relations and provides an additional challenge to the indirect tax system, which provides over 80 per cent of budget revenue to all levels of government in Bosnia and Herzegovina. These problems will need to be addressed by the new composition of the Governing Board of the Indirect Taxation Authority.

Brcko District

18. Brcko District authorities continued to meet on a regular basis during the reporting period. However, progress was slow as the government was thrown into turmoil from October to December after one of the parties withdrew from the ruling coalition. The government crisis was resolved when an opposition party, the Party for a Better Future, joined the parliamentary majority, triggering a government reshuffle.

19. Owing in part to the coalition crisis, the Brcko District Assembly did not adopt a budget for 2015 until 30 March, the first quarter being covered under temporary financing arrangements. The adopted budget foresees unrealistic spending, with an uncovered deficit of €7.1 million. Additional financial uncertainty was caused by the bankruptcy of a notable Republika Srpska-based bank, in which the Brcko District institutions held deposits totalling nearly €10.7 million.

20. During the reporting period, my office engaged with the Brcko District institutions on preparing laws relating to financial matters and relevant for the implementation of the Memorandum on Institutional Cooperation and Exchange of Data among the four tax administrations in Bosnia and Herzegovina. The laws also aim to support the District in improving transparency in the business environment, fighting the grey economy and harmonizing the District's legal system with the rest of the country.

21. My Office also engaged with the District institutions to amend the 2012 decision of the Brcko District Assembly on protection of the civilian victims of war, according to which civilian victims of sexual violence are required to produce evidence of a judicial conviction against perpetrators in order to obtain the status of civilian victim and receive compensation and other benefits. As a consequence of the application of that decision, many civilian victims who live in the Brcko District have moved to the Federation or registered their place of residence there in order to be recognized as victims of war and be entitled to benefits.

D. Challenges to the General Framework Agreement for Peace

Challenges to the sovereignty and territorial integrity of Bosnia and Herzegovina

22. During the reporting period, officials of the ruling SNSD party in Republika Srpska continued their longstanding practice of directly questioning and challenging the sovereignty and territorial integrity of Bosnia and Herzegovina.[1] Although the Republika Srpska President continues to be the most frequent and vocal exponent of state dissolution, during the reporting period he was joined by other officials from his party. A member of the Bosnia and Herzegovina House of Peoples and senior SNSD official, Nebojsa Radmanovic, was widely criticized when he announced to media on 9 April that the SNSD party would adopt a resolution on a "free and independent" Republika Srpska.[2]

Challenges to the competencies of Bosnia and Herzegovina State institutions, in particular the Constitutional Court

Republika Srpska National Assembly declaration on a case before the Bosnia and Herzegovina Constitutional Court

23. On 17 April, the Republika Srpska National Assembly adopted a declaration concerning the 2013 request by a member of the Bosnia and Herzegovina Presidency, Bakir Izetbegovic, for the Constitutional Court to assess the

[1] "I do not see Bosnia and Herzegovina as a country in which the Republika Srpska is going to stay permanently and whether one likes it or not this is the basic feeling of Republika Srpska citizens." Republika Srpska President Milorad Dodik. *Oslobodjenje*, 22 March 2015; in response to a journalist's question whether Bosnia and Herzegovina would join the European Union or the Republika Srpska would leave Bosnia and Herzegovina sooner, the Republika Srpska President responded that "the Republika Srpska will leave Bosnia and Herzegovina first". *N1 TV*, 15 March 2015; "Bosnia and Herzegovina is an utterly unsuccessful country and the Republika Srpska is entitled to assert its right to self-determination, which needs to be developed even further." Republika Srpska President Milorad Dodik, *Vijesti.ba/FENA*, 3 March 2015; "We keep saying that our goal is independence and that we want to manage our resources and ourselves alone. Of course, we are aware that our lives must correspond and develop with others, but we want to be our own masters on our own territory and in this way be a part of overall efforts for peace ... Republika Srpska must protect itself and it will adopt all regulations to strengthen its autonomy on its path to independence." Republika Srpska President Milorad Dodik, *BETA*, 9 January 2015; "Concerning Bosnia and Herzegovina, I want to say clearly from this place today that Bosnia and Herzegovina is a state union in which Republika Srpska brought its sovereignty." Republika Srpska President Milorad Dodik, *Nezavisne Novine*, 24 November 2014.

[2] Reported in *Glas Srpske*, 9 April 2015. "Once the resolution is finished, the reactions of different spokespersons who give us lectures about sovereignty will look ridiculous, since everyone knows very well that Bosnia and Herzegovina is not sovereign. ..." Nebojsa Radmanovic, *Nezavisne Novine*, 11 April 2015.

constitutionality of the Republika Srpska Law on Holidays. In the declaration the parliament expressed its intent not to implement the pending decision of the Bosnia and Herzegovina Constitutional Court in this case if it does not support the Republika Srpska view, as well as to review past decisions of the Court.

24. The declaration in this regard not only represents a direct challenge to the independence of the Bosnia and Herzegovina Constitutional Court, insofar as it amounts to an unacceptable attempt to exert political pressure on a court in its deliberations on a particular case, but is also in direct violation of article III.3 (b) and article VI.5 of the Constitution of Bosnia and Herzegovina, which provide that the "[d]ecisions of the Constitutional Court are final and binding", and that "[t]he Entities and any subdivisions thereof are required to comply fully with this Constitution (...), and with the decisions of the institutions of Bosnia and Herzegovina". In addition, the declaration disregards article VI of the Constitution of Bosnia and Herzegovina insofar as it questions the presence of international judges in the Court and the legitimacy of decisions taken by the Court with those judges, and announces that the Republika Srpska National Assembly may assess the legitimacy, legality and validity of decisions taken by the Court since 2001.

25. The request contained in the declaration to the Parliamentary Assembly of Bosnia and Herzegovina to adopt a law on the Constitutional Court, which would prescribe the composition, election, organization, jurisdiction and procedure, as well as other issues of relevance for the operation of the Constitutional Court, is also problematic. Short of amending the Constitution, the Parliamentary Assembly of Bosnia and Herzegovina is bound by its provisions concerning the composition, organization and competencies of the Court and cannot interfere with the rules of the Court foreseen in article VI of the Constitution of Bosnia and Herzegovina.

26. The declaration also raises concerns in that it bases its arguments on the inaccurate view that Bosnia and Herzegovina and its "international sovereignty and national identity" were established only by the will of the two entities in the Dayton Peace Agreement, and did not exist previously. This directly contradicts article I of the Constitution of Bosnia and Herzegovina and ignores the fact that Bosnia and Herzegovina was recognized internationally prior to Dayton.

Republika Srpska Law on Courts

27. The Republika Srpska Law on Courts remains at variance with both the state-level Law on the High Judicial and Prosecutorial Council and the Bosnia and Herzegovina Constitution. Amendments to the law adopted by the Republika Srpska National Assembly at first reading on 17 April do not correct these deficiencies. This issue is described in further detail below in the section entitled "Entrenching the rule of law".

Boycotts and walkouts of both Houses of the Bosnia and Herzegovina Parliamentary Assembly

28. Since 15 January, SNSD delegates in the House of Representatives have walked out of every session of the House in protest against the rejection of their proposal to discuss the removal of the House Speaker. Their request relates to documents and allegations made public by the former Federation Vice-President against the Speaker in relation to alleged war crimes. The Prosecutor's Office has

announced that it will not launch a criminal investigation against the Speaker for lack of evidence. However, the walkouts continue.

29. There was a boycott at the Bosnia and Herzegovina House of Peoples on 17 March, when its session could not be convened owing to a lack of quorum caused by the non-attendance of three Serb delegates. SNSD announced the boycott the day before, claiming that rules had been violated in the election of members of the Joint Committee for Oversight of the Intelligence and Security Agency by the House of Representatives. SNSD delegates agreed to return to the House on 30 March. Regardless of the validity of the complaints of SNSD and the Democratic People's Alliance (DNS) against the appointments to the Joint Committee, this cannot justify boycotting the Bosnia and Herzegovina Parliamentary Assembly and preventing the Bosnia and Herzegovina House of Peoples from convening.

III. State-level institutions of Bosnia and Herzegovina

Presidency of Bosnia and Herzegovina

30. The newly elected Presidency of Bosnia and Herzegovina, comprising Serb member Mladen Ivanic, Croat member Dragan Covic, and Bosniak member Bakir Izetbegovic, officially assumed office on 17 November and has been meeting in a productive atmosphere. President Ivanic is serving as Chair of the Presidency during the first eight months of its mandate. The new Presidency held five regular sessions and the former Presidency one session during the reporting period.

31. In addition to appointing the new Chair of the Council of Ministers on 9 February, the priority of the Bosnia and Herzegovina Presidency during the reporting period was to oversee the preparation and adoption of the written commitment to European Union reforms. After leading lengthy negotiations with 14 party leaders between December and February, the Bosnia and Herzegovina Presidency eventually adopted that document on 29 January. The written commitment was subsequently signed by the 14 political leaders and then endorsed by the Bosnia and Herzegovina Parliamentary Assembly.

32. The adoption of this important document opens the way for the European Union to proceed with the conclusion and entry into force of the Stabilization and Association Agreement. While this is an important step, the European Union has made clear that Bosnia and Herzegovina needs to deliver concrete results to open the way for the country to apply for candidate country status.

33. Since its inauguration, the Presidency has made official visits to Slovenia and Croatia.

34. At its 11 February session, the Presidency decided that the export of weapons to Ukraine was not in "Bosnia and Herzegovina's foreign policy interests".

Council of Ministers of Bosnia and Herzegovina

35. The outgoing Council of Ministers of Bosnia and Herzegovina continued to meet regularly under a technical mandate until the end of March. During this period, the Council of Ministers held a total of 20 sessions, which were largely focused on technical and European Union-related issues. They included the adoption of a number of financial agreements, decisions on temporary financing of Bosnia and

Herzegovina institutions for the periods January-March and April-June 2015, the Council of Ministers report on its work in 2014 and a national programme of economic reforms for 2015.

36. After confirming the appointment of the new Chair of the Council of Ministers on 11 February,[3] the Bosnia and Herzegovina House of Representatives finally confirmed the new Council of Ministers on 31 March. The delay was caused by politically linking it to the formation of the Federation government despite there being no legal or political justification for this.

37. In the intervening period, the new Council of Ministers held three sessions. Its most pressing priorities include adopting a 2015 State budget, speeding up the implementation of Euro-Atlantic requirements and supporting economic growth.

Parliamentary Assembly of Bosnia and Herzegovina

38. The House of Representatives of Bosnia and Herzegovina was inaugurated on 9 December 2014, when the Speaker and his deputies were appointed.[4] The election of working bodies was completed on 29 December and the House has met 10 times in regular session and three times in urgent session since.

39. The inaugural session of the House of Peoples of Bosnia and Herzegovina began on 29 January 2015, and the House finally managed to appoint its leadership on 16 February. It elected its working bodies on 26 February.[5] The House of Peoples held three regular and two urgent sessions during the reporting period.

40. The appointment of joint parliamentary working committees was completed on 30 March with the exception of the Joint Committee for Oversight of the Intelligence and Security Agency. As described earlier in this report, the membership of that committee is disputed and it is vitally important that it be formed in line with the relevant legal acts.

41. Most significantly during the reporting period, the Bosnia and Herzegovina Parliamentary Assembly supported the written commitment on European Union reforms on 23 February 2015.

42. Also on a positive note, the parliament adopted amendments to the Law on the Policy of Direct Foreign Investment. Although it also adopted an amendment to the Criminal Code of Bosnia and Herzegovina in an effort to ensure compliance with international standards on countering money-laundering and financing of terrorism as required by the Committee of Experts (MONEYVAL) of the Council of Europe, the adopted amendment was deemed insufficient to ensure compliance. The two sets of amendments represent the only legislation adopted by the new Parliamentary Assembly so far.

43. The brief boycott of the Bosnia and Herzegovina House of Peoples and the policy of repeated walkouts from the Bosnia and Herzegovina House of Representatives by SNSD delegates have been covered elsewhere in this report. It is worth noting that, despite repeated walkouts from the plenary session of the House

[3] Council of Ministers Chair Denis Zvizdic (SDA/Bosniak).

[4] Speaker Sefik Dzaferovic (SDA/Bosniak), Deputy Speaker Borjana Kristo (HDZ Bosnia and Herzegovina/Croat), Deputy Speaker Mladen Bosic (SDS/Serb).

[5] Speaker Barisa Colak (HDZ Bosnia and Herzegovina/Croat), Deputy Speaker Ognjen Tadic (SDS/Serb), Deputy Speaker Sakib Softic (SDA/Bosniak).

of Representatives, SNSD delegates have continued regular participation in parliamentary working bodies.

Sutorina dispute

44. In an unexpected development, on 15 January, the Bosnia and Herzegovina House of Representatives debated a resolution tabled by a delegate of the Social Democratic Party (SDP) calling for the rejection by the parliament of a proposed border agreement between Bosnia and Herzegovina and Montenegro. The resolution focuses on Sutorina, a small coastal area in Montenegro, which some Bosnia and Herzegovina parliamentarians argued should belong to Bosnia and Herzegovina. The House of Representatives decided to organize an open public debate (on 24 February) and a closed-door legal experts' debate (on 9 April) before voting on the resolution. The Montenegrin authorities protested strongly against this development. Given the otherwise extremely good relations between the two countries, I hope that we will see a border treaty between the countries ratified without any further delay. Such a step would undoubtedly have a positive impact in the wider region.

IV. Federation of Bosnia and Herzegovina

Formation of Federation authorities

45. The Federation House of Representatives held its inaugural session on 2 December.[6]

46. On 15 January, following the completion of the second round of elections for delegates to the Federation House of Peoples, the House held its inaugural session, verifying the mandates of 54 delegates, while four seats remained vacant as it was only possible to elect 13 of the 17 prescribed delegates to the Serb caucus from all cantonal assemblies. A new arrangement to ensure that all delegates are elected to the Federation House of Peoples should be found. Furthermore, the second Deputy Speaker, who must be a Serb, was not appointed, as there was no agreement within the Serb caucus on a candidate.

47. On 9 February, the Federation Parliament elected the entity President and two Vice-Presidents.[7] I would like to praise the constructive role played by the opposition SDP during the nomination process, which opened the way for the Federation Presidency's election.

48. Despite the fact that SDA, DF and HDZ Bosnia and Herzegovina signed a coalition agreement on 19 November, long-running and at times bitter disputes between the parties on the distribution of ministerial posts meant a new Federation government was elected only on 31 March. The first attempt to form the Federation government failed on 19 March owing to an embarrassing failure to respect ethnic quotas in the government that are established under the Federation Constitution. The new Prime Minister entered government from the business sector, a welcome

[6] Edin Music (SDA) was elected Speaker, alongside Mladen Boskovic (HDZ Bosnia and Herzegovina) and Sasa Mitrovic (DF) as Deputy Speakers.

[7] President of the Federation Marinko Cavara (Croat/HDZ Bosnia and Herzegovina), Vice-President Melika Mahmutbegovic (Bosniak/SDA), Vice-President Milan Dunovic (Serb/DF).

development, which I hope will translate into effective policies to encourage economic growth.[8]

49. During the period of delay in appointing a new Federation government, a dispute arose between the outgoing government and the newly appointed Federation President. Following approval of the Federation Privatization Agency's privatization plan for 2015 by the outgoing government, the President ordered all responsible persons in the government and other legal entities of the executive branch to refrain from new decisions which were not indispensable for the functioning of the entity. The order specified that it should apply especially to decisions regarding new appointments and hiring. The outgoing Prime Minister replied officially in writing that "it is absolutely clear that the President has no right to suspend activities which are specified by the Constitution and the laws as the responsibilities of the Government, or any other executive body for that matter". With the appointment of a new government, this dispute is no longer relevant to daily political developments.

Federation Constitutional Court fully staffed

50. On 31 March, the Vital Interest Panel of the Federation Constitutional Court decided to dismiss as ill-founded an earlier vital national interest request invoked by the Bosniak caucus in the Federation House of Peoples against the appointment of one of the Bosniak judges to the Court, effectively unblocking an appointment to the last vacant position on the Court. As a result, the Federation Constitutional Court will have its full quota of judges for the first time since late 2008. This brings to an end a long-running effort, facilitated by my Office, to have a fully functioning Federation Constitutional Court.

Mostar

51. With political parties focused on government formation, no meaningful discussions were held during the reporting period to implement the ruling of the Constitutional Court of Bosnia and Herzegovina on the Mostar electoral system. As a result, the citizens of Mostar continue to be denied their basic right to elect their local representatives, the city has no functioning City Council, and the Mayor of Mostar continues in a caretaker capacity.

52. Temporary financing in the first quarter of the year and a budget for 2015 were made possible following the adoption of amendments to the Law on Budgets in the Federation by the Federation Parliament on 30 January, which — in the absence of a functioning City Council — authorized the City Mayor to enact those decisions with the approval of the City Head of Finance. At the time of writing, a budget for 2015 has not yet been adopted.

V. Republika Srpska

53. An encouraging development in the ongoing reconciliation process was the visit by the Republika Srpska President, Milorad Dodik, to the Potocari Memorial Centre in Srebrenica on 16 April, where he laid a wreath in honour of the victims. Asked by media for comment outside the Memorial Centre, the Republika Srpska

[8] The new Prime Minister is Fadil Novalić (SDA). He is joined by Deputy Prime Minister and Finance Minister Jelka Miličević (HDZ), Deputy Prime Minister and Minister of Trade Aleksandar Remetić (DF) and 14 other ministers.

President refrained from repeating his previously expressed view that genocide did not occur in Srebrenica and instead said, "It is true that a crime occurred here, and I am sorry for all victims, but the fact is also that these events are politicized to a great extent."

54. On 27 December, the Republika Srpska became the first level of authority in Bosnia and Herzegovina to elect a new government after the October elections. The ruling coalition (SNSD, DNS, Socialist Party) has a slim majority (44 of 83 delegates). The outgoing Prime Minister, Zeljka Cvijanovic, was re-elected to lead the government over the next four years.

55. Given the tight election results, the battle to secure a majority became controversial and raised concerns about the integrity of the democratic process when a recording emerged that appeared to allege that two delegates were being paid in some form to change their party allegiances and support the newly elected government. The case raised further controversy and freedom of media concerns when the Internet news service that published the recording was subjected to investigation.

56. The newly elected Republika Srpska government has placed an immediate emphasis on economic issues as a matter of priority. In an attempt to alleviate the difficult financial situation and to stimulate growth, on 6 March the Republika Srpska National Assembly adopted — at the first reading — a first package of reform legislation aimed at improving business competitiveness by providing fiscal breaks to the business sector. The first reform package includes a number of provisions, including a reduction in social contributions, lowered taxes for properties used for production, the abolishment of taxes on dividends and limitations on public spending. On 9 April, the Republika Srpska government adopted a second set of reform laws with the aim of strengthening the law enforcement agencies in their fight against the grey economy.

57. On a less positive note, on 5 February the Republika Srpska National Assembly adopted the Law on Public Peace and Order, which defined the Internet and social networks as "public space", putting them under regulation by the aforementioned law. Ambiguous provisions of the law regulating this issue open the possibility for arbitrary interpretation by law enforcement in prosecuting individuals for their online activities under accusations that public peace and order have been breached.

Non-cooperation with the High Representative

58. The Republika Srpska authorities have continued their policy of denying the High Representative access to official information and documents required to fulfil his mandate. Under annex 10 of the General Framework Agreement for Peace, all authorities in Bosnia and Herzegovina are obliged to fully cooperate with the High Representative, as well as with the international organizations and agencies as provided for in article IX of the Agreement. The practice of the Republika Srpska government not to provide information and documents requested by the Office of the High Representative goes back to 2007. Repeated calls to the Republika Srpska authorities by the Peace Implementation Council reminding them of their obligation to ensure that the High Representative has full access to documents in a timely fashion have had no impact. This policy by the Republika Srpska authorities

contradicts the frequent claim that the Republika Srpska respects the letter of the Dayton Peace Agreement.

VI. Entrenching the rule of law

59. The Law on Courts of the Republika Srpska still stands in violation of the State-level Law on the High Judicial and Prosecutorial Council in that it regulates issues that fall within the competency of the State, as well as infringing on judicial independence. Since the State-level law stems from a transfer agreement signed under the Bosnia and Herzegovina Constitution by the governments of the State, the Federation of Bosnia and Herzegovina and the Republika Srpska, the Republika Srpska Law on Courts violates those documents. The current law was adopted by the Republika Srpska in 2011, and after negotiations to bring the law into line with State-level legislation, the Republika Srpska government finally introduced amendments in 2013, which, however, were eventually withdrawn from parliamentary procedure.

60. During the reporting period, Republika Srpska authorities have repeatedly violated the State-level Law on the High Judicial and Prosecutorial Council and the Council's prerogatives, by not requesting the Council's opinion on draft regulations that may affect the judiciary, even though it is within the Council's competence under the law to provide such opinions.

61. The persistent failure by authorities at various levels in Bosnia and Herzegovina to implement numerous past decisions of the Bosnia and Herzegovina Constitutional Court remains a serious concern, reflecting the overall lack of progress in entrenching the rule of law in the country.

Anti-corruption efforts

62. During the reporting period, new challenges have arisen in Bosnia and Herzegovina's efforts to tackle corruption. Specifically the implementation of legislation adopted by the Federation in July 2014 to create a special prosecutor's department for corruption has been delayed. While officially in force, the legislation cannot be applied as the technical prerequisites to do so have not been fulfilled because of a lack of budgetary support.

63. In another notable development, testimony given to the State-level Prosecutor's Office by the former Director of the Indirect Taxation Authority, who was arrested earlier on the charges of organized crime, abuse of office and money-laundering together with some 30 customs officials, is now available on the Internet. The testimony details the alleged corrupt activities of many high-ranking political figures and there has been a surprising lack of public reaction to it.

Justice sector reform strategy

64. A new justice sector reform strategy for 2014-2018 has been prepared to replace the previous strategy, which expired at the end of 2013. Following negotiations between different levels of government, including additional negotiations to meet mounting requests from the Republika Srpska, the strategy was adopted by the Brcko District and the Federation, but not by the Republika Srpska. Non-adoption by the Republika Srpska prevents the State-level Council of Ministers

from endorsing it. Non-adoption of the strategy has already had negative consequences, as the continuing financial assistance of the European Union to the project of war crimes processing, including financing for the salaries of some prosecutors, was conditioned on the adoption of the strategy.

War crimes prosecution

65. While the Supervisory Board for the Implementation of the War Crimes Prosecution Strategy continues to meet regularly, it noted that it may become necessary to officially request the Federation authorities to review their representation in the Board, as the representatives of the Federation government continuously miss Board meetings. This calls into question the Federation authorities' dedication to prosecuting war crimes.

VII. Public security and law enforcement

66. The practice of political interference in operational policing remains a serious challenge and has continued through the ongoing practice of delaying appointments of police directors and the formation of the independent boards which select them. The appointment of the Director of the Federation Administration of Police is still pending, owing to an ongoing court dispute over the validity of an already conducted selection process. Similarly, a new police commissioner of Canton 10 has not yet been appointed, even though the mandate of the outgoing police commissioner ended in December 2014. West Herzegovina Canton has also not selected its police commissioner following the appointment of the previous commissioner to the post of the Border Police Director in April 2014. The appointment of the Posavina Canton independent board has been delayed since March 2011, joined by delays in Tuzla, Bosnian-Podrinje and Zenica Cantons, whose board mandates expired in mid-2014. In another development, on 5 March the Director of the State Investigation and Protection Agency was found guilty in the first instance of a criminal charge of negligence in performance of duty related to the non-intervention of the Agency during the February 2014 protests.

67. The Office of the High Representative continues to monitor changes to police legislation and encourage its harmonization in jurisdictions throughout the country. My Office worked intensively with local stakeholders in the Sarajevo, Bosnian-Podrinje and Una-Sana Cantons as well as in the Brcko District to update police legislation. The new legislation established barriers to improper political influence in operational policing by ensuring legal and budgetary independence for police.

VIII. Economy

Economic indicators

68. The economy proved to be more resilient to the impact of the floods of May 2014 than originally expected and the country closed the year with growth of 0.7 per cent. In comparison with 2013, key indicators for 2014 show an increase in exports (3.6 per cent), imports (6.8 per cent) and foreign direct investments in the first nine months (7.9 per cent over the same period in 2013); an annual deflation rate of 0.9 per cent; and stagnation in industrial production. In 2014, Bosnia and

Herzegovina collected €3.128 billion from indirect taxes, which is the highest recorded collection to date, again pointing to the success of the Indirect Taxation Authority, which was established under the guidance of the Office of the High Representative as part of the wider indirect tax system reform implemented in the period 2003-2006. Positive trends in foreign trade and indirect tax revenue collection continued in 2015 and growth projections for the year by international financial institutions are positive.

69. Unemployment levels remained high, with an administrative unemployment rate of about 44 per cent and the share of youth in the total unemployment of about 60 per cent. With an average net salary in December of €431, even those with a steady income struggle to make ends meet. High unemployment levels and low income are among the key reasons for the brain drain, which has already become alarming. In its Global Competitiveness Reports, the World Economic Forum assesses the country's capacity to retain talent to be among the lowest in the world. By brain drain levels, Bosnia and Herzegovina was ranked as 126th of 142 countries in 2011/12, then as 140th of 144 countries in 2012/13, and as 143rd of 148 countries in 2013/14.

70. Retirees are among the most vulnerable segments of the population. The average pension in Bosnia and Herzegovina in December amounted to €180, while minimum pensions stood at just €88 in the Republika Srpska and €167 in the Federation. Of particular concern is a continuing increase in the number of retired persons, which is not matched by a corresponding number of employed persons as key contributors to pension payments. In the Republika Srpska, the number of the retirees has already exceeded the number of employed. In the Federation, the number of the employed is marginally higher than the number of retirees. An additional problem for the sustainability of the entity pension funds is their low rate of collection of employer contributions.

71. Bosnia and Herzegovina's credit and business ratings show a mixed picture. Standard & Poor's Ratings Services affirmed the BB credit rating of Bosnia and Herzegovina and its stable outlook on 13 March, based on the expectation of continued and significant international assistance to the country, which balances identified deficiencies and risks. The Heritage Foundation's 2015 Index of Economic Freedom ranked Bosnia and Herzegovina 97th of 178 countries and 38th of 43 countries in Europe, with the country's score below global and regional averages. The World Bank's report *Doing Business 2015* ranked Bosnia and Herzegovina as 107th of 189 economies in terms of the ease of doing business, which is the worst ranking among European countries. The United Nations Development Programme's *Human Development Report 2014* ranked Bosnia and Herzegovina 86th of 187 countries, while Transparency International's Corruption Perceptions Index for 2014 ranked Bosnia and Herzegovina 80th of 175 countries.

Fiscal issues

72. The financing of the State institutions in 2014 was stable but there have been numerous examples of how the work of those institutions has been negatively affected by the practice of maintaining the same budget level for the past three years. Those institutions most affected include the Bosnia and Herzegovina Ministry of Defence and the Bosnia and Herzegovina Armed Forces. At the time of writing a State budget for 2015 has yet to be adopted. As a result of this, the State institutions

continue to operate on the basis of temporary financing. While this allows the State institutions to continue to function, it also limits their scope of activities and their capacity to support the reform agenda.

73. At the entity level, the absence of IMF and World Bank disbursements caused by the failure to meet the IMF Standby Arrangement commitments posed fiscal risks to both entities in the last quarter of 2014. Those were mitigated by stable indirect tax revenue and domestic borrowing through the issuance of government securities.

74. On a more positive note, both entities have adopted budgets for 2015. The Republika Srpska budget was adopted on 28 December, before the legal deadline, making the Republika Srpska the first level of government in the country to adopt a 2015 budget. It amounts to €1.039 billion, a 5.7 per cent decrease over the rebalanced Republika Srpska budget for 2014. The Federation budget for 2015 was adopted on 31 March, immediately after the appointment of a new Federation government and on the day that the three-month temporary financing period expired. The Federation budget amounts to €1.193 billion, a 6 per cent decrease over the 2014 budget. Both entity budgets show significant reliance on international and domestic borrowing (€189.1 million in the Republika Srpska and €349.7 million in the Federation). This challenging situation points to the need for renewed negotiations with international financial institutions, primarily IMF, on a new financial arrangement, or the identification of alternative sources of financing, which are likely to be either difficult to obtain or far less favourable.

75. The fiscal situation is particularly difficult at the cantonal level in the Federation and continues to be a risk to social stability. This is mainly due to unaddressed spending problems from the past and a lack of willingness to advance structural reforms. It is also a consequence of lower indirect tax revenue inflows that result from increased foreign debt payments by the Federation. All 10 cantons failed to adopt 2015 budgets before the end of 2014 and were forced into temporary financing to ensure continued budget payments. All cantons have now adopted budgets for 2015. The fiscal problems in the cantons have given rise to initiatives that seek to change the system of indirect tax revenue allocation within the Federation. There are also initiatives to change the system of foreign debt payments. These initiatives have the potential of provoking political and social tensions and worsening inter-cantonal relations within the Federation. All these developments require attention as the cantons are of key importance for the fiscal and social stability of the Federation and the State. The 10 cantons together maintain about 50,000 public sector employees.

International obligations

76. On 15 January, international road carriers from the Republika Srpska blocked several Bosnia and Herzegovina border crossings in response to the commencement of the implementation of the Rulebook on the Criteria for the Issuance of Licences and Driver Qualification Cards adopted by the Bosnia and Herzegovina Minister of Transport and Communications in October 2014. The Rulebook, which attempted to implement the Bosnia and Herzegovina Law on International and Inter-Entity Road Transport already in force for 13 years, set a deadline of 31 December 2014 for the validity of the entity and Brcko District licences for international road transport activities and entrusted their future issuance as from 1 January 2015 exclusively to the Bosnia and Herzegovina Ministry of Transport and Communications. Following

the intervention of the Republika Srpska Prime Minister, the Bosnia and Herzegovina Council of Ministers extended the validity of the licences issued by the entity and Brcko District authorities until 15 April 2015. The deadline was subsequently extended for another six months, until 15 October 2015. Persistent resistance to efforts by the State institutions to commence licensing for international road transport activities in accordance with prevailing legislation constitutes a challenge to the practical enforcement of the State's competence on this matter.

77. Further to the meeting on 23 September of the Energy Community Ministerial Council, which declared Bosnia and Herzegovina in persistent breach of its Energy Community Treaty obligations in the gas sector and recalled the possibility of sanctions should progress not be made by its next meeting in 2015, the Energy Community Secretariat prepared a draft law regulating the gas sector in Bosnia and Herzegovina that should help the authorities to rectify the situation. At the time of writing, there has been no discussion on the draft or on an alternative proposal to bring Bosnia and Herzegovina into line with its obligations. The next meeting of the Energy Community Ministerial Council is scheduled for 16 October. Previously, representatives of the Republika Srpska in the State institutions persistently opposed the regulation of certain aspects of the gas sector at the State level and the establishment of a State regulator, seeing this as an expansion of State competences.

78. Developments in the electricity sector are more encouraging. Bosnia and Herzegovina complied with the obligations under the Energy Community Treaty and fully opened its electricity market on 1 January. All customers, including households, now formally have the right to choose their supplier, while suppliers have the right to supply any customer. Also of note is the adoption on 20 November of the State Electricity Transmission Company Long-Term Transmission Grid Development Plan for the Period 2014-2023 by the State Electricity Regulatory Commission. The plan foresees a €401 million investment in the electricity transmission grid over a 10-year period.

79. On 13 November, the Bosnia and Herzegovina Air Navigation Services Agency commenced the provision of services in the airspace between 10,000 and 32,500 feet. Provided consent is given by EUROCONTROL, the airspace between 32,500 and 66,000 feet should come under Bosnia and Herzegovina control by the end of 2015.

80. During the reporting period, Bosnia and Herzegovina's non-compliance with its international obligations relating to money-laundering and the financing of terrorism continued to raise questions of possible negative consequences. In December 2014 MONEYVAL issued a revised public statement under step 3 of its Compliance Enhancing Procedures, urging Bosnia and Herzegovina to address the remaining deficiencies in its anti-money-laundering and counter-terrorist financing legislation by adopting necessary amendments to the Criminal Code of Bosnia and Herzegovina before the 47th plenary meeting of MONEYVAL in April 2015. Early in March 2015, the Bosnia and Herzegovina Parliamentary Assembly adopted an amendment to the Criminal Code in relation to the financing of terrorist activities. However, other amendments to the Criminal Code of significance to the fight against money-laundering and the financing of terrorism remain to be adopted, after they were rejected in the Bosnia and Herzegovina House of Peoples at the end of March 2015 because of the lack of support by Republika Srpska delegates. As a consequence of insufficient progress, MONEYVAL decided on 14 April to invoke

step 4 of the Compliance Enhancing Procedures and refer Bosnia and Herzegovina to the International Cooperation Review Group of the Financial Action Task Force. MONEYVAL has also updated its public statement on Bosnia and Herzegovina, in which it "continues to call on States and territories evaluated by MONEYVAL and other countries to advise their financial institutions to pay special attention by applying enhanced due diligence measures to transactions with persons and financial institutions from or in Bosnia and Herzegovina in order to address the money-laundering and financing of terrorism risks".

IX. Return of refugees and displaced persons

81. Upholding the right of refugees and displaced persons to return to their pre-war homes remains central to the full implementation of the General Framework Agreement for Peace, annex 7 of which requires State- and entity-level authorities "to create in their territories the political, economic, and social conditions conducive to the voluntary return and harmonious reintegration of refugees and displaced persons, without preference for any particular group".

82. While the provision of appropriate accommodation for displaced persons remains essential, an environment that is conducive for sustainable return is equally important and requires the full implementation of the return strategy that was adopted by the authorities in 2012. In this respect, I remain particularly concerned about the difficulties that continue to arise in the education sector in some returnee communities. This issue will need to be addressed by the newly elected authorities.

83. Twenty years after the signing of the Peace Agreement, the issue of war crimes continues to divide local communities and points to the work that still needs to be done to ensure that justice is served and reconciliation advanced so that local communities can reintegrate. An example of this occurred on 8 March when the arrest of eight persons accused of perpetrating mass executions in Kravica (Bratunac) generated conflicting reactions on the ground, with local Bosniaks welcoming the arrests and some local Serbs protesting against the arrests.

84. Returnees from the Federation of Bosnia and Herzegovina to the Republika Srpska municipalities of Bratunac, Zvornik, Visegrad, Srebrenica and Zepa reacted negatively to the Federation government decision of 8 October 2014 in regard to their access to health care treatment in the Federation. Before that decision was adopted, the returnees to the Republika Srpska had full access to hospitals in the Federation. On 9 April the newly elected Federation government tasked the competent ministries to prepare a decision that would effectively overturn the decision of 8 October.

X. Media developments

85. Reforms aimed at ensuring the independence of public broadcasters, as well as their cooperation within a single system, continue to be stalled by political disagreements about the relationship between the public broadcasters and the various levels of government in Bosnia and Herzegovina. Particularly damaging is the several-year failure of the three public broadcasters in Bosnia and Herzegovina to establish an umbrella Public Broadcasting Corporation as required by State-level

legislation. The establishment of the Corporation would make more efficient use of resources and improve coordination. The failure to establish the Corporation on time is now endangering the ability of Bosnia and Herzegovina to meet its international commitments regarding the planned switchover from analogue to digital terrestrial broadcasting in mid-2015.

86. The financial sustainability of the public broadcasting system is also under threat after transitional provisions regulating the method for collecting taxes to finance the public broadcasters elapsed on 26 April. Both the Bosnia and Herzegovina Parliamentary Assembly and the Public Broadcasting System Governing Board have so far failed to define and put in place an alternative, permanent and cost-effective mechanism for collecting the radio-television tax in the future. Thankfully, the three main telecommunications operators have agreed to extend the current collection method for several months, which it is hoped will give the competent authorities sufficient time to find a solution.

87. The continuing failure of the Council of Ministers to appoint a new director to the State-level Communications Regulatory Agency, which regulates and oversees public and private electronic media (television and radio) throughout the country, prompted the Agency's Council to appoint an interim director for two months, in contravention of the law. If the new director is not appointed promptly by the newly formed Council of Ministers, the functioning of this important institution will be called into question.

XI. Defence matters

88. The pace of disposal of ammunition, weapons and explosives stockpiles improved in 2014, but remains relatively slow. Regardless of both the improved control and management of ammunition, weapons and explosive stockpiles by the Bosnia and Herzegovina authorities and international community support for the development of an improved process for inspecting ammunition stockpiles in Bosnia and Herzegovina, the risk of accidental explosion remains, because of ageing ammunition and poor storage conditions. An agreement to establish a mechanism through which surplus stockpiles could be sold remains pending.

XII. European Union military force

89. The European Union military mission in Bosnia and Herzegovina (EUFOR) continues to play an important role in supporting Bosnia and Herzegovina's efforts to maintain a safe and secure environment. This, in turn, assists my Office and other international organizations to fulfil their respective mandates. Its presence on the ground, including through its liaison and observation teams, remains an important contribution to stability and security.

XIII. Future of the Office of the High Representative

90. The political directors of the Peace Implementation Council Steering Board met in Sarajevo in December 2014 to underline their unequivocal commitment to Bosnia and Herzegovina's territorial integrity and sovereignty. The Steering Board

also reinforced the need to complete the five objectives and two conditions agenda, which remains necessary for the closure of the Office of the High Representative. The next meeting of the Steering Board is scheduled for June 2015.

91. Since the beginning of my mandate in March 2009, the budget of the Office has been reduced by over 41 per cent and my staff by over 51 per cent. Given these deep cuts, it remains essential that I am equipped with the budget and staff required to carry out my mandate effectively as I am entitled to under annex 10 of the Peace Agreement.

XIV. Reporting schedule

92. In keeping with the proposals of my predecessor to submit regular reports for onward transmission to the Security Council, as required by Council resolution 1031 (1995), I herewith present my thirteenth regular report. Should the Secretary-General or any Security Council member require information at any other time, I would be pleased to provide an additional written update. The next regular report to the Secretary-General is scheduled for October 2015.